

CITY OF CHARITON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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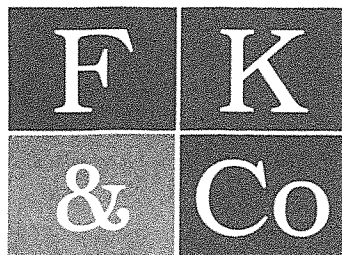
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City of Chariton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger D. Manser	Mayor	January 1, 2018
Ruth Smith	Council Member	January 1, 2016
Michael W. Graves	Council Member	January 1, 2016
Dennis Bisgard	Council Member	January 1, 2018
Vernon Vogel	Council Member	January 1, 2018
Joe Gaa	City Manager	Indefinite
Ruth Ryun	Clerk/Treasurer	Indefinite
Verle W. Norris	Attorney	Indefinite

City of Chariton



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Chariton, Iowa, (City) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and the cash basis balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2015, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 7 to the financial statements, the City adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which is not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 32 through 36 has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.


FALLER, KINCHELOE & CO., PLC

Des Moines, Iowa
February 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Chariton (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 65.0%, or approximately \$2,184,000, from fiscal year 2014 to fiscal year 2015. Capital grants, contributions and restricted interest increased approximately \$1,983,000, and loan proceeds increased approximately \$75,000.
- Disbursements of the City's governmental activities increased 116.7%, or approximately \$4,009,000, in fiscal year 2015 from fiscal year 2014. Community and economic development, capital projects and payment to refunding bond escrow agent disbursements increased approximately \$1,252,000, \$840,000 and \$1,958,000, respectively.
- The City's total cash basis net position decreased 27.0%, or approximately \$1,690,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased approximately \$1,863,000 and the cash basis net position of the business type activities increased approximately \$172,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the non-major proprietary funds, and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operation of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system, solid waste, airport, and storm water. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and Local Option Sales Tax funds, 3) the Debt Service Fund, 4) the Capital Projects Fund and, 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Sewer Fund and the Solid Waste Fund, considered to be major funds of the City. The Airport Fund and the Storm Water Fund are considered to be non-major funds of the City.

The required financial statements for proprietary funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$5.104 million to approximately \$3.241 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 194	196
Operating grants, contributions and restricted interest	565	533
Capital grants, contributions and restricted interest	2,394	411
General receipts:		
Property tax	1,864	1,831
Local option sales tax	324	329
Hotel-Motel tax	35	31
Loan proceeds	75	-
Grants and contributions not restricted to specific purposes	19	18
Unrestricted interest on investments	4	3
Miscellaneous	51	5
Sale of capital assets	19	3
Total receipts	5,544	3,360
Disbursements:		
Public safety	712	655
Public works	607	654
Health and social services	7	7
Culture and recreation	583	608
Community and economic development	1,490	238
General government	373	358
Debt service	420	461
Capital projects	1,294	454
Payment to refunding bond escrow agent	1,958	-
Total disbursements	7,444	3,435
Change in cash basis net position before transfers	(1,900)	(75)
Transfers, net	37	36
Change in cash basis net position	(1,863)	(39)
Cash basis net position beginning of year	5,104	5,143
Cash basis net position end of year	\$ 3,241	5,104

The City's total receipts for governmental activities increased 65.0%, or approximately \$2,144,000. The total cost of all programs and services increased approximately \$4,009,000, or 116.7%, with no new programs added this year. The increase in receipts was the result of an increase in capital grants, contributions and restricted interest. The increase in disbursements is the result of an increase in community and economic development, capital projects and the payment to refunding bond escrow agent.

The City increased property tax rates for fiscal year 2015. This increase raised the City's property tax receipts approximately \$33,000 from fiscal year 2014 to fiscal year 2015. Property tax receipts are budgeted to remain relatively the same in fiscal year 2016.

The cost of all governmental activities this year was approximately \$7.444 million compared to approximately \$3.435 million last year. However, as shown on the Statement of Activities and Net Position on page 15, the amount taxpayers ultimately financed for these activities was \$2.333 million because some of the cost was paid by those directly benefited from the programs (approximately \$194,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$2,959,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$1,140,000 to approximately \$3,153,000, principally due to increased capital grants, contributions and restricted interest in fiscal year 2015 compared to fiscal year 2014. This increase was primarily due to grants received from the State of Iowa.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 785	791
Solid waste	23	23
Airport	69	83
Storm water	65	66
Capital grants, contributions and restricted interest	-	4
General receipts:		
Miscellaneous	13	56
Total receipts	955	1,023
Disbursements:		
Sewer	654	603
Solid waste	14	18
Airport	66	97
Storm water	13	32
Total disbursements	747	750
Change in cash basis net position before transfers	208	273
Transfers, net	(36)	(36)
Change in cash basis net position	172	237
Cash basis net position beginning of year	1,167	930
Cash basis net position end of year	\$ 1,339	1,167

Total business type activities receipts for the fiscal year were approximately \$0.955 million compared to approximately \$1.023 million last year. The decrease was due primarily due to a decrease in miscellaneous receipts in fiscal year 2015. The cash balance increased approximately \$172,000 from the prior year. Total disbursements for the fiscal year decreased 0.4% to approximately \$.75 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$3,195,146, a decrease of more than \$1,905,000 below last year's total of \$5,100,531. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$66,830 from the prior year to \$944,921. The City has been watching the General Fund very close in order to stabilize the balance in this fund.
- The Special Revenue, Multi-Family Housing Fund cash balance decreased by \$168,504 from the prior year to (\$51,727). This decrease was due to spending money from this fund prior to the receipt of donations.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased by \$110,530 during the fiscal year to a total of \$1,285,180. This increase in cash is due to decreased capital project costs incurred in this fund in fiscal year 2015.
- The Special Revenue, Employee Benefits Fund cash balance increased by \$50,161 from the prior year to \$338,243. In the fiscal year, the City just levied more than related costs incurred in this fund.
- The Debt Service Fund cash balance decreased by \$1,936,959 during the fiscal year to a total of \$30,654. This decrease was due to the payment of \$1,958,050 to the refunding bond escrow agent in fiscal year 2015.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased by \$93,670 to \$789,462, due to fewer capital project costs incurred in fiscal year 2015 compared to fiscal year 2014.
- The Enterprise, Solid Waste Fund cash balance increased by \$9,913 to \$443,606, due primarily to the need to continue to develop reserves to an adequate level to address upcoming capital expenditures.

BUDGETARY HIGHLIGHTS

During the course of the year, the City amended its budget one time. The budget was amended because of equipment purchases and capital projects which were greater than originally anticipated. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$249,972 less than budgeted. This was primarily due to the City receiving less charges for services receipts than anticipated, even after the budget amendments.

Even with the budget amendment, total disbursements were \$139,130 more than budgeted. The City exceeded the amounts budgeted in the public safety, community and economic development, general government and capital projects functions by \$45,957, \$157,369, \$667 and \$989,742, respectively

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$3,007,000 in bonds and other long-term debt outstanding, compared to approximately \$5,222,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2015	2014
General obligation bonds and notes	\$ 2,295	4,500
Revenue bonds	653	686
Lease purchase agreement	-	36
Bank loans	59	-
Total	\$ 3,007	5,222

Debt decreased as a result of retiring debt in the fiscal year.

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, taken from the last county tax list. The City's debt limit, based upon said valuation, amounts to the following:

Actual Value of Property, 2013	\$ 147,505,358
Debt Limit	5%
	<u>\$ 7,375,268</u>

The City's outstanding general obligation debt of \$2,295,000 is below the constitutional debt limit of \$7,375,268.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy and the rising costs of employee benefits.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$6.28 million, keeping in line with 2015 budget year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayer, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joe Gaa, City Manager, 115 South Main Street, Chariton, Iowa 50049.

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

Functions / Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 712,100	2,751	45,486	5,470	(658,393)	-	(658,393)
Public works	606,836	56,210	461,763	57,295	(31,568)	-	(31,568)
Health and social services	7,400	-	-	-	(7,400)	-	(7,400)
Culture and recreation	583,075	115,177	31,502	10,922	(425,474)	-	(425,474)
Community and economic development	1,490,369	-	192	1,282,556	(207,621)	-	(207,621)
General government	372,888	19,621	20,422	5,100	(327,745)	-	(327,745)
Debt service	419,633	-	5,829	-	(413,804)	-	(413,804)
Capital projects	1,293,818	-	-	1,032,716	(261,102)	-	(261,102)
Total governmental activities	5,486,119	193,759	565,194	2,394,059	(2,333,107)	-	(2,333,107)
Business type activities:							
Sewer	654,119	784,670	-	-	-	130,551	130,551
Solid waste	13,429	23,342	-	-	-	9,913	9,913
Airport	66,029	69,751	-	-	-	3,722	3,722
Storm water	13,263	65,135	-	-	-	51,872	51,872
Total business type activities	746,840	942,898	-	-	-	196,058	196,058
Total	\$ 6,232,959	1,136,657	565,194	2,394,059	(2,333,107)	196,058	(2,137,049)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					1,443,728	-	1,443,728
Debt service					420,677	-	420,677
Local option sales tax					324,158	-	324,158
Hotel-Motel tax					35,404	-	35,404
Loan proceeds (net of \$50 fees)					75,157	-	75,157
Grants and contributions not restricted to specific purposes					19,244	-	19,244
Unrestricted interest on investments					3,755	-	3,755
Miscellaneous					50,696	13,183	63,879
Payment to refunding bond escrow agent					(1,958,050)	-	(1,958,050)
Sale of capital assets					18,600	-	18,600
Transfers					36,834	(36,834)	-
Total general receipts and transfers					470,203	(23,651)	446,552
Change in cash basis net position					(1,862,904)	172,407	(1,690,497)
Cash basis net position beginning of year					5,104,053	1,166,568	6,270,621
Cash basis net position end of year					\$ 3,241,149	1,338,975	4,580,124
Cash Basis Net Position							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 219,179	-	219,179
Expendable:							
Insurance					13,865	-	13,865
Community center					74,665	-	74,665
Debt service					30,654	15,264	45,918
Streets					27,093	-	27,093
Other purposes					2,098,274	-	2,098,274
Unrestricted					777,419	1,323,711	2,101,130
Total cash basis net position					\$ 3,241,149	1,338,975	4,580,124

See notes to financial statements.

City of Chariton

Exhibit B

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue						Total
	General	Multi-Family Housing	Local Option Sales Tax	Employee Benefits	Debt Service	Nonmajor	
Receipts:							
Property tax	\$ 932,470	-	-	368,679	420,677	-	1,721,826
Other city tax	151,401	-	324,158	12,465	14,118	-	502,142
Licenses and permits	14,936	-	-	-	-	-	14,936
Use of money and property	17,425	142	903	-	5,829	196	24,495
Intergovernmental	1,030,853	1,012,809	1,314	-	-	536,716	2,581,692
Charges for service	114,958	-	-	-	-	-	114,958
Miscellaneous	213,235	269,748	3,672	-	100	3,873	490,628
Total receipts	2,475,278	1,282,699	330,047	381,144	440,724	540,785	5,450,677
Disbursements:							
Operating:							
Public safety	598,244	-	-	128,126	-	-	726,370
Public works	119,612	-	-	89,380	-	422,408	631,400
Health and social services	7,400	-	-	-	-	-	7,400
Culture and recreation	524,954	-	-	61,187	-	47	586,188
Community and economic development	29,166	1,451,203	-	-	-	10,000	1,490,369
General government	321,135	-	-	52,290	-	-	373,425
Debt service	-	-	-	-	419,633	-	419,633
Capital projects	933,606	-	209,842	-	-	150,370	1,293,818
Total disbursements	2,534,117	1,451,203	209,842	330,983	419,633	582,825	5,528,603
Excess (deficiency) of receipts over (under) disbursements	(58,839)	(168,504)	120,205	50,161	21,091	(42,040)	(77,926)
Other financing sources (uses):							
Sale of capital assets	18,600	-	-	-	-	-	18,600
Loan proceeds (net of \$50 fees)	75,157	-	-	-	-	-	75,157
Payment to refunding bond escrow agent	-	-	-	-	(1,958,050)	-	(1,958,050)
Transfers in	102,100	-	72,425	-	-	14,597	189,122
Transfers out	(70,188)	-	(82,100)	-	-	-	(152,288)
Total other financing sources (uses)	125,669	-	(9,675)	-	(1,958,050)	14,597	(1,827,459)
Change in cash balances	66,830	(168,504)	110,530	50,161	(1,936,959)	(27,443)	(1,905,385)
Cash balances beginning of year	878,091	116,777	1,174,650	288,082	1,967,613	675,318	5,100,531
Cash balances end of year	\$ 944,921	(51,727)	1,285,180	338,243	30,654	647,875	3,195,146
Cash Basis Fund Balances							
Nonspendable:							
Cemetery perpetual care	\$ -	-	-	-	-	219,179	219,179
Restricted for:							
Insurance	13,865	-	-	-	-	-	13,865
Community center	74,665	-	-	-	-	-	74,665
Debt service	-	-	-	-	30,654	-	30,654
Streets	-	-	-	-	-	27,093	27,093
Other purposes	-	-	1,285,180	338,243	-	474,851	2,098,274
Assigned	692,928	-	-	-	-	-	692,928
Unassigned	163,463	(51,727)	-	-	-	(73,248)	38,488
Total cash basis fund balances	\$ 944,921	(51,727)	1,285,180	338,243	30,654	647,875	3,195,146

See notes to financial statements.

City of Chariton

Exhibit C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2015

Total governmental funds cash balances (page 16) **\$ 3,195,146**

***Amounts reported for governmental activities in the Cash Basis Statement
of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of the City's central fuel facility to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

46,003

Cash basis net position of governmental activities (page 15) **\$ 3,241,149**

Change in cash balances (page 16) **\$ (1,905,385)**

***Amounts reported for governmental activities in the Cash Basis Statement
of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of the City's central fuel facility to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

42,481

Change in cash basis net position of governmental activities (page 15) **\$ (1,862,904)**

See notes to financial statements.

City of Chariton

Exhibit D

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise				Internal Service Central Fuel
	Sewer	Solid Waste	Nonmajor	Total	
Operating receipts:					
Use of money and property	\$ -	334	33,563	33,897	-
Charges for service	784,670	23,008	101,323	909,001	280,396
Total operating receipts	784,670	23,342	134,886	942,898	280,396
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	13,647
Public works	-	-	-	-	23,491
Culture and recreation	-	-	-	-	2,977
General government	-	-	-	-	185,414
Business type activities	482,266	13,429	80,035	575,730	6,038
Total operating disbursements	482,266	13,429	80,035	575,730	231,567
Excess of operating receipts over operating disbursements	302,404	9,913	54,851	367,168	48,829
Non-operating receipts (disbursements):					
Miscellaneous	3,321	-	9,862	13,183	-
Debt service	(55,295)	-	-	(55,295)	-
Capital projects	(122,163)	-	-	(122,163)	-
Net non-operating receipts (disbursements)	(174,137)	-	9,862	(164,275)	-
Excess of receipts over disbursements	128,267	9,913	64,713	202,893	48,829
Other financing sources (uses):					
Transfers in	-	-	40,188	40,188	-
Transfers out	(34,597)	-	(42,425)	(77,022)	-
Total other financing sources (uses)	(34,597)	-	(2,237)	(36,834)	-
Change in cash balances	93,670	9,913	62,476	166,059	48,829
Cash balances beginning of year	695,792	433,693	36,557	1,166,042	4,048
Cash balances end of year	\$ 789,462	443,606	99,033	1,332,101	52,877
Cash Basis Fund Balances					
Restricted for debt service	\$ 15,264	-	-	15,264	-
Unrestricted	774,198	443,606	99,033	1,316,837	52,877
Total cash basis fund balances	\$ 789,462	443,606	99,033	1,332,101	52,877

See notes to financial statements.

City of Chariton

Exhibit E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2015

Total enterprise funds cash balances (page 18) **\$ 1,332,101**

***Amounts reported for business type activities in the Cash Basis Statement
of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of the City's central fuel facility to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

6,874

Cash basis net position of business type activities (page 15) **\$ 1,338,975**

Change in cash balances (page 18) **\$ 166,059**

***Amounts reported for business type activities in the Cash Basis Statement
of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of the City's central fuel facility to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

6,348

Change in cash basis net position of business type activities (page 15) **\$ 172,407**

See notes to financial statements.

City of Chariton

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Chariton (City) is a political subdivision of the State of Iowa located in Lucas County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Council-Manager form of government with the Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general governmental services. The City also provides sewer, storm water, and airport services for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Units

The Chariton Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

The Chariton Volunteer Fire Department was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The purpose of the Chariton Volunteer Fire Department is to support the activities of the Chariton, Iowa fire department.

The Chariton Public Library Foundation was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The purpose of the Chariton Public Library Foundation is to support the activities of the Chariton, Iowa public library.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Lucas County Assessor's Conference Board, South Central Iowa Solid Waste Commission and the Chariton Area Development Corporation.

Related Organization

The City Council members are also responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental funds and nonmajor proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Multi-Family Housing Fund is used to account for grants and contributions received for the multi-family housing program costs incurred by the City.

The Local Option Sales Tax Fund is used to account for the local option sales tax collections to be used for the operation and maintenance of the municipal swimming pool, along with infrastructure improvements including street, sanitary sewer, storm water and park improvements.

The Employee Benefits Fund is utilized to account for property tax and other receipts to be used for the payment of employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Solid Waste Fund accounts for the operation and maintenance of the City's closed landfill.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, community and economic development, general government, and capital projects functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes, and the revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 325,000	43,450	34,000	19,590	359,000	63,040
2017	330,000	39,400	36,000	18,570	366,000	57,970
2018	340,000	32,800	37,000	17,490	377,000	50,290
2019	250,000	26,000	38,000	16,380	288,000	42,380
2020	255,000	21,000	39,000	15,240	294,000	36,240
2021	260,000	15,900	40,000	14,070	300,000	29,970
2022	265,000	10,700	42,000	12,870	307,000	23,570
2023	270,000	5,400	43,000	11,610	313,000	17,010
2024	-	-	45,000	10,320	45,000	10,320
2025	-	-	46,000	8,970	46,000	8,970
2026	-	-	47,000	7,590	47,000	7,590
2027	-	-	49,000	6,180	49,000	6,180
2028	-	-	51,000	4,710	51,000	4,710
2029	-	-	52,000	3,180	52,000	3,180
2030	-	-	54,000	1,620	54,000	1,620
	<u>\$2,295,000</u>	<u>194,650</u>	<u>653,000</u>	<u>168,390</u>	<u>2,948,000</u>	<u>363,040</u>

Sewer Revenue Bond (Series 2009-A) – On January 13, 2010, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and the Wells Fargo Bank Iowa, N.A. (trustee) for the issuance of a \$808,000 sewer revenue bond with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bond was issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa for the purpose of paying the costs of construction, improvement and extensions to the municipal wastewater system. The funds were drawn down by the City from the Trustee upon request to reimburse the City for costs as they were incurred. An initiation fee of 1% of the authorized borrowing for the sewer revenue bond was charged by Wells Fargo Bank Iowa, N.A. The total initiation fee was withheld in fiscal year 2010 by the bank from the first proceeds of the sewer revenue bond drawn down by the City.

The City has pledged future customer wastewater customer receipts, net of specified operating disbursements, to repay \$808,000 in a sewer revenue bond issued in 2010. The bond is payable solely from wastewater customer net receipts and is payable through 2030. Annual principal and interest payment on the bond is expected to require less than 19% of net receipts. The total principal and interest remaining to be paid on the bond is \$821,390. For the current year, principal and interest paid and total customer net receipts were \$55,295 and \$302,404, respectively.

The resolutions providing for the issuance of the wastewater revenue bonds include the following provisions:

- (a) The bond will only be redeemed from the future earnings of the City and the bond holder holds a lien on the future earnings of the funds.
- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of installment principal due shall be made to a wastewater revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bond.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted account noted above can be used to pay for extraordinary repairs or replacements to the sewer system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

(4) Lease Purchase Agreement

On June 1, 2011, the City entered into a lease-purchase agreement to lease a street sweeper.

In May, 2011, the City passed a resolution which stated the City pledges the full faith and credit of the City for payment of the amounts due on this lease agreement. As a result of this resolution, the City levied a debt service levy to pay the lease payment due in fiscal year 2015 from the Debt Service Fund. However, in June, 2011, the City signed an agreement with the lease finance company which stated that the lease payments are payable from the General Fund of the City.

This lease was paid off in fiscal year 2015.

Payments under lease-purchase agreement totaled \$36,713 during the year ended June 30, 2015.

(5) Bank Loans

In July 2014, the City entered into a loan agreement with a local bank for \$19,918. The funds were used for the purchase of a 2015 Ford Taurus. The loan bears interest at 2.50% per annum and is to be repaid in 3 annual installments beginning October 15, 2014 and ending October 15, 2016. For the year ended June 30, 2015, principal and interest paid on the loan totaled \$6,856. The principal balance of the loan at June 30, 2015 was \$13,205.

In November 2014, the City entered into a loan agreement with a local bank for \$28,071. The funds were used for the purchase of a 2014 Dodge Charger. The loan bears interest at 2.50% per annum and is to be repaid in 3 annual installments beginning April 15, 2015 and ending April 15, 2017. For the year ended June 30, 2015, principal and interest paid on the loan totaled \$9,696. The principal balance of the loan at June 30, 2015 was \$18,667.

In May 2015, the City entered into a loan agreement with a local bank for \$27,218. The funds were used for the purchase of a 2014 Ford F150. The loan bears interest at 2.50% per annum and is to be repaid in 3 annual installments beginning October 15, 2015 and ending October 15, 2017. For the year ended June 30, 2015, principal and interest paid on the loan totaled \$0. The principal balance of the loan at June 30, 2015 was \$27,218.

Annual amounts owed to maturity for the bank loans are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 24,875	1,073	25,948
2017	25,052	863	25,915
2018	9,163	232	9,395
	<u>\$ 59,090</u>	<u>2,168</u>	<u>61,258</u>

(6) **Operating Lease Agreement**

The City is leasing a copy machine for \$195 per month. As of June 30, 2015, total future payments in relation to this lease are \$1,560, of which \$1,560 is due during the year ended June 30, 2016, at which time the operating lease will expire.

Total rent expense during the fiscal year on this operating lease agreement was \$2,340.

(7) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age, which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS' benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent

The City's contributions to IPERS for the year ended June 30, 2015 were \$79,556.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$298,656. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0073036 percent, which was a decrease of 0.0019893 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$32,397, \$19,746 and \$201,799 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 741,956	298,656	(75,354)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(8) **Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 13 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you go basis. The most recent active member monthly premiums for the City and the plan members are \$547 for single coverage, \$1,149 for employee/spouse coverage, \$1,040 for employee/dependent coverage, and \$1,615 for family coverage. For the year ended June 30, 2015, the City contributed \$150,098 and plan members eligible for benefits contributed \$37,514 to the plan.

(9) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, overtime and sick leave time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, overtime and sick leave time payable to employees at June 30, 2015, primarily relating to the General Fund is as follows:

Type of Benefit	Amount
Vacation and overtime	\$ 87,406
Sick leave	<u>150,517</u>
Total	<u>\$ 237,923</u>

The liability has been computed based on the rates of pay in effect at June 30, 2015.

(10) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with the provisions of Internal Revenue Code Section 457. The plan, available to the police department and the City Manager, allows those employees to defer a portion of their current salary until future years. The plan is administered by ICMA-RC. The employee becomes eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

The contributions are made at 6.2% of gross salary by the City of Chariton, and the employees also contribute 6.2% of gross salary for a combined total of 12.4%. The contribution rates were established by the City of Chariton, and may be amended by the City. The contributions made by the City for the year ended June 30, 2015 were \$16,512, and the employee contribution rates also totaled \$16,512. The City's liability to ICMA-RC at June 30, 2015 totaled \$0.

(11) Interfund Loan

During the year ended June 30, 2012, the Special Revenue, Library Endowment Fund loaned \$73,000 to the Enterprise, Sewer Fund. The purpose of this loan was to provide funds to the Enterprise, Sewer Fund to make improvements to the City's sanitary sewer system. The loan is to be repaid in semi-annual payments of \$7,604.50 including interest at 1.50% per annum. The balance of the loan at June 30, 2015 was \$29,856. Total principal and interest paid during the year was \$15,209.

(12) Related Party Transactions

The City had business transactions between the City and City officials totaling \$9,558 during the year ended June 30, 2015.

(13) Deficit Fund Balances

At June 30, 2015, the City had deficit balances as follows:

<u>Fund</u>	<u>Amount</u>
Special Revenue, Multi-Family Housing	\$ 51,727
Special Revenue, Tax Increment Financing	15,246
Special Revenue, Downtown Revitalization	58,002

The Special Revenue, Multi-Family Housing Fund deficit will be eliminated when contributions are received, and through a transfer from the General Fund.

The Special Revenue, Tax Increment Financing Fund deficit occurred because costs were incurred prior to tax collections to be received in this fund.

The Special Revenue, Downtown Revitalization Fund deficit will be eliminated when grants and contributions are received, and through a transfer from the General Fund.

(14) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 82,100
	Enterprise:	
	Sewer	20,000
		<u>102,100</u>
Special Revenue:		
Local Option Sales Tax	General	30,000
	Enterprise:	
	Storm Water	42,425
		<u>72,425</u>
Special Revenue:	Enterprise:	
Library Endowment	Sewer	14,597
Enterprise		
Airport	General	40,188
		<u>\$ 229,310</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(15) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(16) Landfill Closure

The City landfill closed on April 1, 1994. Closure costs were incurred by the City in prior years for a final cover. Because the landfill closed before the effective date of state and federal rules and regulations, the City is not required to meet certain postclosure care requirements or demonstrate financial assurance for closure and postclosure care. However, state law requires the City to conduct ground water monitoring at the landfill for 30 years.

(17) Contingencies

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

The City is paying its lease-purchase payment from a debt service tax levy, as documented in Note 4 above. However, it is unclear if the City should have paid the lease-purchase payment from a debt service tax levy or from the General Fund. In the event it is determined the lease-purchase payment should have been paid from the General Fund, the City may have to repay the property owners of the City the amount of the debt service tax levy used to pay the lease-purchase. Total amount paid by the City from the debt service tax levy for this lease-purchase as of June 30, 2015, is unknown.

(18) Commitments

The City and Lucas County entered into an agreement whereby the Sheriff's Office would provide dispatch services to the City. The agreement between the City and Lucas County expired on June 30, 2014. However, effective July 1, 2014, the agreement automatically renewed on a fiscal year-to-year basis. The total amount scheduled to be paid by the City in fiscal year 2016 to Lucas County in relation to this agreement is \$69,430.

The City and PeopleService, Inc. (PeopleService) have entered into an agreement with an effective date of July 1, 2014. The agreement is a three year agreement. The agreement with PeopleService states that PeopleService will operate and maintain the City's sewer system. During fiscal year 2015, the City paid PeopleService \$231,150. On each July 1, 2015 and July 1, 2016, the fee paid by the City to PeopleService will be adjusted based on the change in the consumer price index for all urban consumers.

The City is in the process of a downtown facade rehabilitation program. The City received a \$500,000 federal grant for this project. Total construction cost bid on this project was approximately \$1,600,000. In addition to the \$500,000 federal grant, the City will contribute an additional approximate \$450,000 for this project. The balance of the costs are expected to be paid by the building owners. Construction activities on this project began in June, 2015. It is anticipated this project will be completed in fiscal year 2016.

The City received a \$600,000 federal grant for a sewer rehabilitation project. Total cost of this project is anticipated to be approximately \$1,200,000. The cost of this project will be paid for from the grant and from existing cash reserves. It is anticipated this project will be completed in fiscal year 2016.

The City received a \$738,433 federal grant for an airport improvement project. The City is required to contribute 10% of the cost of this project. The cost of this project will be paid for from the grant and from existing cash reserves. It is anticipated this project will be completed in fiscal year 2016.

(19) Fund Balance

The City's assigned fund balance in the General Fund as of June 30, 2015 consists of the following:

Purpose	Amount
Cemetery	\$ 236,222
Library	398,286
Park	4,958
Recycling	<u>53,462</u>
Total	<u><u>\$ 692,928</u></u>

(20) Subsequent Events

The City has evaluated all subsequent events through February 10, 2016, the date the financial statements were available to be issued.

Other Information

City of Charlton

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	(Unaudited)							Final to Total Variance	
	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Component Unit		Total	Budgeted Amounts		
				Charlton Municipal Waterworks Actual			Original		Final
Receipts:									
Property tax	\$ 1,721,826	-	-	-	-	1,721,826	1,682,032	1,682,031	39,795
Other city tax	502,142	-	-	-	-	502,142	490,840	490,839	11,303
Licenses and permits	14,936	-	-	-	-	14,936	19,025	29,025	(14,089)
Use of money and property	24,495	33,897	-	-	14,085	72,477	64,610	64,610	7,867
Intergovernmental	2,581,692	-	-	-	-	2,581,692	766,827	2,066,827	514,865
Charges for service	114,958	1,189,397	280,396	-	2,068,747	3,092,706	3,783,262	3,793,262	(700,556)
Miscellaneous	490,628	13,183	-	-	42,507	546,318	80,531	155,531	390,787
Total receipts	5,450,677	1,236,477	280,396	-	2,125,339	8,532,097	6,887,127	8,282,125	249,972
Disbursements:									
Public safety	726,370	13,647	13,647	-	-	726,370	630,413	680,413	(45,957)
Public works	631,400	23,491	23,491	-	-	631,400	651,278	691,278	59,878
Health and social services	7,400	-	-	-	-	7,400	7,400	7,400	-
Culture and recreation	586,188	2,977	2,977	-	-	586,188	595,930	615,930	29,742
Community and economic development	1,490,369	-	-	-	-	1,490,369	33,000	1,333,000	(157,369)
General government	373,425	185,414	185,414	-	-	373,425	372,758	372,758	(667)
Debt service	419,633	-	-	-	-	419,633	463,683	463,683	44,050
Capital projects	1,293,818	-	-	-	-	1,293,818	304,076	304,076	(989,742)
Business type activities	-	759,226	6,038	-	2,190,043	2,943,231	3,864,166	3,864,166	920,935
Total disbursements	5,528,603	984,755	231,567	-	2,190,043	8,471,834	6,922,704	8,332,704	(139,130)
Excess (deficiency) of receipts over (under) disbursements	(77,926)	251,722	48,829	-	(64,704)	60,263	(35,577)	(50,579)	110,842
Other financing sources, net	(1,827,459)	(36,834)	-	-	743,100	(1,121,193)	-	-	(1,121,193)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,905,385)	214,888	48,829	-	678,396	(1,060,930)	(35,577)	(50,579)	(1,010,351)
Balances beginning of year	5,100,531	1,170,090	4,048	-	900,164	7,166,737	6,964,407	6,964,407	202,330
Balances end of year	\$ 3,195,146	1,384,978	52,877	-	1,578,560	6,105,807	6,928,830	6,913,828	(808,021)

See accompanying independent auditor's report.

City of Chariton

Notes to Other Information - Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,410,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, community and economic development, general government and capital projects functions.

City of Chariton

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.007304%
City's proportionate share of the net pension liability	\$ 290
City's covered employee payroll	\$ 849
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.16%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Chariton

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 80	79	75	83	75	74	68	63	61	60
Contributions in relation to the statutorily required contribution	(80)	(79)	(75)	(83)	(75)	(74)	(68)	(63)	(61)	(60)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 863	849	820	*	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	9.27%	9.31%	9.15%	*	*	*	*	*	*	*

* - City's covered employee payroll information was not readily available. Therefore, contributions as a percentage of covered employee payroll could not be calculated.

See accompanying independent auditor's report.

City of Chariton

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

City of Charlton

Schedule 1

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue							Permanent	
	Revolving Loan Fund	Road Use Tax	Library Endowment	Historic Preservation	Special Assessment	Fire Department	Tax Increment Financing	Downtown Revitalization	Cemetery Perpetual Care
Receipts:									
Use of money and property	\$ 191	-	-	5	-	-	-	-	-
Intergovernmental	-	449,308	-	-	-	-	-	87,408	-
Miscellaneous	-	-	-	460	-	-	-	-	3,413
Total receipts	191	449,308	-	465	-	-	-	87,408	3,413
Disbursements:									
Operating:									
Public works	-	422,408	-	-	-	-	-	-	-
Culture and recreation	-	-	-	47	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	10,000	-	-
Capital projects	-	-	-	-	-	-	-	150,370	-
Total disbursements	-	422,408	-	47	-	-	10,000	150,370	-
Excess (deficiency) of receipts over (under) disbursements	191	26,900	-	418	-	-	(10,000)	(62,962)	3,413
Other financing sources:									
Transfers in	-	-	14,597	-	-	-	-	-	-
Total other financing sources	-	-	14,597	-	-	-	-	-	-
Change in cash balances	191	26,900	14,597	418	-	-	(10,000)	(62,962)	3,413
Cash balances beginning of year	129,345	193	59,719	6,280	3,732	260,569	(5,246)	4,960	215,766
Cash balances end of year	\$ 129,536	27,093	74,316	6,698	3,732	260,569	(15,246)	(58,002)	219,179
Cash Basis Fund Balances									
Nonspendable:	\$ -	-	-	-	-	-	-	-	219,179
Cemetery perpetual care	-	27,093	-	-	-	-	-	-	-
Restricted for:									
Streets	129,536	-	74,316	6,698	3,732	260,569	-	-	-
Other purposes	-	-	-	-	-	-	(15,246)	(58,002)	-
Unassigned	-	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 129,536	27,093	74,316	6,698	3,732	260,569	(15,246)	(58,002)	219,179

See accompanying independent auditor's report.

City of Chariton

Schedule 2

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise		
	Airport	Storm Water	Total
Operating receipts:			
Use of money and property	\$ 33,563	-	33,563
Charges for service	36,188	65,135	101,323
Total operating receipts	69,751	65,135	134,886
Operating disbursements:			
Business type activities	66,772	13,263	80,035
Total operating disbursements	66,772	13,263	80,035
Excess of operating receipts over operating disbursements	2,979	51,872	54,851
Non-operating receipts:			
Miscellaneous	9,862	-	9,862
Net non-operating receipts:	9,862	-	9,862
Excess of receipts over disbursements	12,841	51,872	64,713
Other financing sources (uses):			
Transfer in	40,188	-	40,188
Transfer out	-	(42,425)	(42,425)
Total other financing sources (uses)	40,188	(42,425)	(2,237)
Change in cash balances	53,029	9,447	62,476
Cash balances beginning of year	(52,119)	88,676	36,557
Cash balances end of year	\$ 910	98,123	99,033
Cash Basis Fund Balances			
Unrestricted	\$ 910	98,123	99,033
Total cash basis fund balances	\$ 910	98,123	99,033

See accompanying independent auditor's report.

City of Chariton

Schedule 3

Schedule of Indebtedness

Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes -									
Corporate Purpose and Refunding Bonds	September 15, 2008	3.00%-4.50%	\$ 2,995,000	2,115,000	-	2,115,000	-	90,260	-
Corporate Purpose and Refunding Bonds	June 28, 2012	1.00%-2.00%	2,070,000	2,060,000	-	10,000	2,050,000	35,680	-
Corporate Purpose Bond	June 15, 2012	1.25%-2.00%	400,000	325,000	-	80,000	245,000	5,900	-
Total				<u>\$4,500,000</u>	<u>-</u>	<u>2,205,000</u>	<u>2,295,000</u>	<u>131,840</u>	<u>-</u>
Revenue Bonds -									
Sewer Revenue Bond	January 13, 2010	3.00%	\$ 808,000	686,000	-	33,000	653,000	20,580	-
Lease Purchase Agreement -									
Equipment	June 1, 2011	2.99%	\$ 173,212	35,648	-	35,648	-	1,065	-
Bank loans -									
2015 Ford Taurus	July 2, 2014	2.50%	\$ 19,893	-	19,918	6,713	13,205	143	-
2014 Dodge Charger	November 10, 2014	2.50%	28,046	-	28,071	9,404	18,667	292	-
2014 Ford F150	May 22, 2015	2.50%	27,218	-	27,218	-	27,218	-	-
				<u>\$ -</u>	<u>75,207</u>	<u>16,117</u>	<u>59,090</u>	<u>435</u>	<u>-</u>

See accompanying independent auditor's report.

City of Chariton

Schedule 4

Bond and Note Maturities

June 30, 2015

General Obligation Bonds and Notes					
Year Ending June 30,	Corporate Purpose and Refunding Bonds		Corporate Purpose Bond		Total
	Issued June 28, 2012		Issued June 15, 2012		
	Interest Rates	Amount	Interest Rates	Amount	
2016	1.00%	\$ 245,000	2.00%	\$ 80,000	325,000
2017	2.00%	250,000	2.00%	80,000	330,000
2018	2.00%	255,000	2.00%	85,000	340,000
2019	2.00%	250,000	-	-	250,000
2020	2.00%	255,000	-	-	255,000
2021	2.00%	260,000	-	-	260,000
2022	2.00%	265,000	-	-	265,000
2023	2.00%	270,000	-	-	270,000
		<u>\$ 2,050,000</u>		<u>\$ 245,000</u>	<u>2,295,000</u>

Revenue Bonds		
Year Ending June 30,	Sewer Revenue Bond	
	Issued January 13, 2010	
	Interest Rates	Amount
2016	3.00%	\$ 34,000
2017	3.00%	36,000
2018	3.00%	37,000
2019	3.00%	38,000
2020	3.00%	39,000
2021	3.00%	40,000
2022	3.00%	42,000
2023	3.00%	43,000
2024	3.00%	45,000
2025	3.00%	46,000
2026	3.00%	47,000
2027	3.00%	49,000
2028	3.00%	51,000
2029	3.00%	52,000
2030	3.00%	54,000
		<u>\$ 653,000</u>

See accompanying independent auditor's report.

City of Chariton

Schedule 5

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property tax	\$ 1,721,826	1,710,690	2,152,337	1,626,475	1,536,340	1,527,995	1,449,823	1,357,277	1,324,958	1,245,388
Tax increment financing	-	-	-	-	-	-	-	90,766	88,363	84,970
Other city tax	502,142	480,416	-	492,316	426,972	392,880	348,465	526,678	520,969	505,068
Licenses and permits	14,936	20,280	34,303	12,844	11,893	11,543	8,351	10,869	9,668	14,346
Use of money and property	24,495	24,522	13,637	17,671	42,337	56,569	81,874	116,875	313,763	231,890
Intergovernmental	2,581,692	739,942	569,635	794,761	707,313	720,783	1,419,371	723,369	509,582	450,401
Charges for service	114,958	118,037	140,202	145,342	131,338	117,015	123,850	101,806	74,262	116,669
Special assessments	-	-	-	-	-	3,732	2,221	22,658	11,033	15,771
Miscellaneous	490,628	263,901	126,396	131,500	312,480	181,044	295,759	172,556	638,795	347,416
Total	\$ 5,450,677	3,357,788	3,036,510	3,220,909	3,168,673	3,011,561	3,729,714	3,122,854	3,491,393	3,011,919

Disbursements:

Operating:										
Public safety	\$ 726,370	654,929	671,681	587,218	702,382	738,608	1,027,649	756,584	670,353	608,609
Public works	631,400	654,028	700,672	590,805	730,280	750,617	859,241	975,900	762,208	779,619
Health and social services	7,400	7,417	4,700	4,700	7,767	7,400	11,060	7,270	7,683	6,030
Culture and recreation	586,188	607,779	489,795	630,902	559,230	693,033	539,897	433,780	537,248	467,570
Community and economic development	1,490,369	237,933	37,814	190,437	40,244	69,010	10,466	8,200	7,203	17,125
General government	373,425	356,522	348,658	350,950	342,522	383,818	362,634	339,543	358,532	302,087
Debt service	419,633	461,016	803,840	594,882	429,206	714,969	775,922	581,670	576,161	581,082
Capital projects	1,293,818	454,448	294,273	1,725	3,149	1,203,196	2,192,964	737,284	1,092,852	278,495
Non-program	-	-	-	-	-	-	-	-	55,231	293,984
Total	\$ 5,528,603	3,434,072	3,351,433	2,951,619	2,814,780	4,560,651	5,779,833	3,840,231	4,067,471	3,334,601

See accompanying independent auditor's report.

City of Chariton

Schedule 6

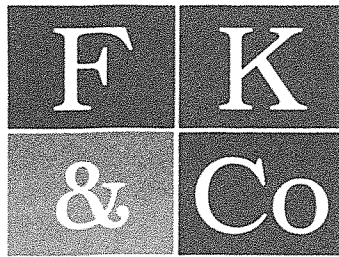
Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration Airports Division:			
Airport Improvement Program	20.106	3-19-0014-009-2015	\$ 6,300
			<u>6,300</u>
Total - Direct			<u>6,300</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Natural Resources:			
Cooperative Forestry Assistance	10.664	N/A	3,471
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's			
Program and Non-Entitlement Grants in Hawaii	14.228	14-WS-034	31,728
		13-DTR-002	150,054
Passed through Union County		08-DRH-006	1,009,691
			<u>1,191,473</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction			
(\$893,055 provided to subrecipients)	20.205	07-5-HBP-009	894,013
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	14-402-MOOP	95
		15-402-MOOP	4,000
			<u>4,095</u>
Total - Indirect			<u>2,093,052</u>
Total			<u>\$ 2,099,352</u>

Basis of Presentation - The Schedule of Expenditure of Federal Awards includes the federal grant activity of the City of Chariton and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Chariton, Iowa (City) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2016. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Chariton Municipal Waterworks, the Chariton Volunteer Fire Department and the Chariton Public Library Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-15, II-B-15, II-C-15 and II-D-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item II-E-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

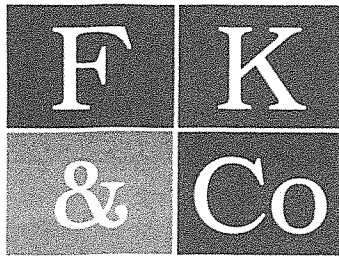
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLLC

Des Moines, Iowa
February 10, 2016



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Chariton Iowa's (City) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be material weaknesses and other deficiencies we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-15, III-B-15, III-D-15 and III-E-15 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-C-15 to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



FALLER, KINCHELOE & CO., PLLC

Des Moines, Iowa
February 10, 2016

City of Chariton
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. An adverse opinion was issued on the financial statements of the aggregate discretely presented component units due to the omission of the Chariton Municipal Waterworks, the Chariton Volunteer Fire Department and the Chariton Public Library Foundation.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency and material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii and CFDA Number 20.205 Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Chariton did not qualify as a low-risk auditee.

City of Chariton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although three individuals are involved in the accounting duties of the City of Chariton, (City) there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Petty cash – custody, reconciling and recording.
- 8) Payroll – recordkeeping, preparation and distribution.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

Response and Corrective Action Planned – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

II-B-15 Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City Council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including note disclosures. Due to the technical nature of these requirements, management does not prepare this information, which is a common situation in small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare OCBOA financial statements.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with the OCBOA requirement.

Conclusion – Response acknowledged.

City of Chariton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-C-15 Material Adjustments – During the audit, we identified a material amount of property taxes misposted to an incorrect fund. In addition, adjusting journal entries were made to properly record receipts and disbursements not recorded. Adjustments were subsequently made by the City to properly record these transactions on the City's financial statements.

Recommendation – We recommend the City implement procedures to ensure all transactions, including receipts and disbursements are properly recorded on the City's accounting records.

Response and Corrective Action Planned – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

II-D-15 Preparation of Schedule of Federal Awards – Through review of the City's grant activity and the process of gathering information for required reporting, we determined that there is a need for improvement in the procedures related to the preparation of the Schedule of Expenditure of Federal Awards (SEFA), including the accuracy of the CFDA numbers and the accuracy and completeness of expenditure amounts reported on the SEFA. The City does not have a centralized process to gather the information required to be reported under OMB Circular A-133.

Recommendation – We recommend the City create a process and designate an individual to track and accurately report all information required to be included on the SEFA.

Response and Corrective Action Planned – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

II-E-15 Chart of Accounts – The City is not consistently following the Uniform Chart of Accounts for City Governments in Iowa as recommended by the City Finance Committee.

Recommendation – The City should implement procedures to ensure all transactions are recorded in accordance with the Uniform Chart of Accounts.

Response – We will implement this to the best of our ability.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Chariton

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 14-WS-034, 13-DTR-002, 08-DRH-006

Federal Award Year: 2014, 2013, 2008

U.S. Department of Housing and Urban Development

Passed through the Iowa Economic Development Authority

CFDA Number 20.205: Highway Planning and Construction

Pass-through Agency Number: 07-5-HBP-009

Federal Award Year: 2007

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

III-A-15 Preparation of Schedule of Federal Awards – The City does not have a centralized
(2015-001) process to gather the information required to be reported under OMB Circular A-133.
See item II-D-15.

III-B-15 Segregation of Duties over Federal Receipts – The City did not properly segregate
(2015-002) collection, deposit and record keeping for receipts, including those related to federal
programs. See item II-A-15.

CFDA Number 20.205: Highway Planning and Construction

Pass-through Agency Number: 07-5-HBP-009

Federal Award Year: 2007

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

III-C-15 Subrecipient Monitoring – The City entered into an agreement with Lucas County for
(2015-003) the administration of a bridge construction project funded by the Department of
Transportation.

The City has not advised Lucas County that they become a subrecipient upon execution of the agreement in which they agree to administer the program. In addition, the City has not performed any subrecipient monitoring procedures as required under OMB Circular A-133 in relation to this agreement.

Recommendation – The City should implement procedures to ensure that its subrecipient is monitored as required by OMB Circular A-133.

Response and Corrective Action Planned – We will contact the Iowa Department of Transportation for guidance in relation to this.

Conclusion – Response acknowledged.

City of Chariton

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

- III-D-15 Material Adjustments – As a result of the audit, the City had to make material
(2015-004) adjustments to the financial statements, including those related to federal programs. See
item II-C-15.

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 08-DRH-006

Federal Award Year: 2008

U.S. Department of Housing and Urban Development

Passed through the Iowa Economic Development Authority

- III-E-15 Procurement – The City is required to publish a request for sealed bids for construction
(2015-005) projects which exceed the competitive bid threshold, as required by Chapter 26.3 of the
Code of Iowa. We noted that the City failed to publish a request for sealed bids for some
construction bid packages.

Recommendation – In the future, the City should implement procedures to ensure a
request for sealed bids for applicable construction projects are obtained.

Response and Corrective Action Planned – We will implement this recommendation.

Conclusion – Response acknowledged.

City of Chariton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Pat IV: Other Findings Related to Required Statutory Reporting:

- IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the public safety, community and economic development, general government and the capital projects functions. Chapter 384.20 of the Code of Iowa states, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- IV-B-15 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- IV-C-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- IV-D-15 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Christie Metzger, Deputy Clerk	Custodial service	\$ 4,518
Avis Goben, Deputy Clerk Spouse of Steven Goben	Custodial service	5,040

The transactions with the above individuals do not appear to represent conflict of interests since they were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- IV-E-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- IV-F-15 City Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

- IV-G-15 Deposits and Investments – The Enterprise, Sewer Fund does not receive bank interest, even though this is required by Chapter 12C.9 of the Code of Iowa.

Other than the above, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

Recommendation – The Enterprise, Sewer Fund should receive bank interest, as required by the Code of Iowa.

Response – We will implement the above recommendation.

Conclusion – Response acknowledged.

City of Chariton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-H-15 Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.

IV-I-15 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality shall certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from reduction in debt or for any other reason to the County Auditor.

The City plans to use expected future TIF receipts to pay legal fees, engineering services and design services which were paid in the prior and current fiscal years from the Special Revenue, Tax Increment Financing Fund. These costs do not represent TIF obligations and accordingly, are not an allowable use of tax increment financing receipts.

The City did not file the TIF certification to the County Auditor by December 1, 2014, as required.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications and the amount of TIF debt to be certified. In addition, in the future, the City's TIF certification to the County Auditor should be submitted by December 1, as required.

Response – We will consult with our legal counsel in relation to these issues.

Conclusion – Response acknowledged.

IV-J-15 Lease Purchase – The City entered into a capital lease for the lease-purchase of a street sweeper. In May, 2011, the City passed a resolution which stated the City pledges the full faith and credit of the City for payment of the amounts due on this lease-purchase agreement. As a result of this resolution, the City levied a debt service levy in fiscal year 2015 to pay the lease payment from the Debt Service Fund. However, in June, 2011, the City signed an agreement with the lease finance company which stated that the lease payments in relation to this lease-purchase agreement were payable from the General Fund of the City. City personnel appeared to be unaware of this inconsistency until we brought this to their attention.

Recommendation – The City should consult with legal counsel to determine the appropriate resolution of this matter.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

IV-K-15 Financial Condition – The Special Revenue, Multi-Family Housing Fund, the Special Revenue, Tax Increment Financing Fund and the Special Revenue, Downtown Revitalization Fund had deficit balances of \$51,727, \$15,246 and \$58,002, respectively, at June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – We will review this and take appropriate action.

Conclusion – Response acknowledged.

City of Chariton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-L-15 Bank Loan Agreements – In fiscal year 2015, the City entered into three separate bank loans totaling \$75,207 for the purchase of 3 separate vehicles. However, the City did not comply with the provisions of Chapter 384.24A and 384.25 of the Code of Iowa which require certain authorizations procedures to be followed, including publication of a notice of intended action and the time and place of the hearing.

Recommendation – The City should comply with the Code of Iowa requirements before entering into future loan agreements.

Response – We will implement this recommendation in the future.

Conclusion – Response acknowledged.

IV-M-15 Annual Urban Renewal Report (AURR) – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1. However, we noted that the City included some payments on the AURR which were not certified to the County Auditor as debt.

Recommendation – The City should consult TIF legal counsel to determine the proper disposition of the City's AURR.

Response – We will consult with our legal counsel in relation to this issue.

Conclusion – Response acknowledged.